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C O N F I D E N T I A L SECTION 01 OF 03 MANILA 000285

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TAGS: [MARR](#) [MOPS](#) [PINS](#) [PREL](#) [PTER](#) [RP](#)
SUBJECT: SCENESETTER FOR ADMIRAL OLSON'S VISIT TO THE
PHILIPPINES

Classified By: Ambassador Kristie A. Kenney, reasons 1.4 (b) and (d).

11. (SBU) Summary: Admiral Olson, welcome to the Philippines! You are coming to the Philippines at an important time. With U.S. support, the Armed Forces of the Philippines are targeting terrorists on islands in the southern Philippines, while supporting the government's efforts to make peace with Muslim insurgents. Under the leadership of Philippines Secretary of National Defense Teodoro and Chief of Staff General Esperon, the Philippines is fully committed to Defense reform. U.S. Special Operations Command is an essential partner in our efforts to defeat terrorism through a combination of hard and soft power that the Philippines emulates. The Joint Special Operations Task Force-Philippines is well integrated into overall USG counterterrorism and development programs. During your visit you will meet Philippine civilian and military leaders, visit Philippine Navy Special Operations, and see on the ground in Mindanao the impact of U.S. military and development assistance. End Summary.

PHILIPPINE POLITICS

12. (SBU) Philippine politics is free-wheeling, focused primarily on the charisma of individual political leaders, and still largely oligarchic, with most wealth and political power concentrated among influential families. President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" movement swept out her predecessor, whom she recently pardoned after he was convicted of corruption. She is a strong leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts. The President's political position improved after the May 2007 elections gave her allies a large majority in the House of Representatives, decreasing any impeachment threat. With less than two and a half years left in her term, the President appears intent on establishing her legacy, with a focus on the economy and jobs, infrastructure, and seeking stability and peace in Mindanao.

ECONOMICS AND TRADE

13. (U) The U.S. is the Philippines' largest trading partner, with over \$17.3 billion in two-way merchandise trade. There is considerable concern over the impact on the Philippines of

a slow down in U.S. economic growth. Major U.S. exports include electronics and agriculture. The U.S. is also the largest investor here, with \$6.6 billion in equity. In 2007, Texas Instruments announced further investment of \$1 billion in microchip production, while AES, a U.S. power company, acquired a coal-fired power plant for \$930 million. The Philippine economy grew about seven percent in 2007, the strongest expansion in three decades. Unemployment and inflation are down, and government revenues are up, even in the face of rising fuel prices, continued corruption allegations, terrorist bombings, and political tumult. President Arroyo has an impressive reform agenda -- privatize the electric sector, build infrastructure, increase education funding, and reduce business red tape -- but still faces significant hurdles, particularly in improving the investment climate.

SECURITY AND INSURGENCIES

14. (C) President Arroyo is a committed counterterrorism partner, and has repeatedly demonstrated her willingness to work closely with us to combat terrorists who established themselves in the Philippines during the 1990s. Military and law enforcement forces scored several major victories in the counterterrorism fight during the last 18 months, including the deaths in military operations leaders of the Abu Sayyaf terrorist group, which has links to international terrorist organizations and is responsible for the deaths of Americans and Filipinos alike. In recent military operations, Philippine troops killed two significant local Abu Sayyaf commanders in Basilan suspected of involvement in several terrorist attacks, including an October 2002 bombing that

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killed a U.S. serviceman. Our Rewards for Justice program is a significant incentive here that worries at-large terrorists; we recently paid out USD 10 million to informants.

15. (C) Success in the government's peace process with Muslim insurgents would help deny terrorists safe haven. Currently, rogue insurgent commanders harbor terrorists, frequently due to complex clan and family relationships. We are directly engaged with all peace process players, including the insurgency's leadership, to press for the severing of any remaining ties to the terrorists. The Malaysian-led International Monitoring Team has helped stabilize the four-year ceasefire between the Philippine government and the Muslim insurgents.

16. (C) While not the U.S. counterterrorism priority, the Communist Party of the Philippines/New People's Army insurgency, which is unconnected to international terrorism, remains a virulent nationwide threat. Its ideology and tactics hold little appeal for the overwhelming majority of Filipinos, but the movement is fueled by poverty, insufficient government services, and discontent with the corruption permeating the political system. The U.S. and European Union August 2002 designation of the New People's Army as a terrorist organization set back its overseas fundraising efforts. Philippine Armed Forces leaders hope to redirect assets against the New People's Army once they successfully conclude an agreement with Muslim insurgents.

PHILIPPINE DEFENSE REFORM

17. (C) On the eve of the largest U.S.-Philippine exercises of the year (Balikatan), the Armed Forces of the Philippines remain heavily engaged in combating internal security threats while continuing to enhance their limited external defense capabilities. Secretary of National Defense Gilberto Teodoro has taken personal control of Philippine Defense Reform, and the Philippine government plans to spend about USD 100 million annually through 2012 funding defense reform initiatives. The Philippines is already realizing positive

effects from these efforts including improved operational readiness through better maintenance. At the same time, they have promoted transparency in their procurement system, which has allowed them to expand their combat capability. In particular, the purchase and granting of U.S. helicopters to the Philippines has proven helpful in improving the military's mobility. Long term, the defense reform program will modernize 72 Philippine Army and 12 Philippine Marine Corps battalions over the next six years.

UNLAWFUL/EXTRAJUDICIAL KILLINGS

¶18. (SBU) Extrajudicial killings remains one of the thorniest issues for the Arroyo administration, with critics charging that rogue elements of the Philippine military are responsible for the killings. President Arroyo has spoken out consistently and strongly on the issue, including during the State of the Union address, and has taken a variety of steps to address the problem such as the creation of -- or strengthening of existing -- government task forces and commissions. By the end of 2007, these steps, as well as intensified domestic and international attention to the problem, appeared to have had a measurable impact, with government agencies and human rights NGOs reporting a significant decline in the number of extrajudicial killings during the year.

¶19. (U) The Embassy carefully vets all proposed military and law enforcement personnel about to receive U.S.-funded training both internally and with relevant Philippine authorities to comply with the terms of the Leahy Amendments.

THEMES:

KEEP UP COUNTERTERRORISM FIGHT, PDR, AND RULE OF LAW

¶10. (C) In your meetings with Philippine officials, I suggest you stress the following themes:

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-- The Philippines is a strong and valued partner in counterterrorism efforts;

-- Congratulations on recent successes in the fight against terrorists, and commendations to those brave Filipinos who provided information leading to these successful military operations;

-- We are committed to helping sustain the momentum in Philippine counterterrorism efforts by assisting with military and humanitarian offensives;

-- We are following the peace process with great interest as it moves forward. We fully support the government's desire for a durable peace agreement. We believe it is important to keep open communications with those willing to discuss peace.

-- We take the issue of extra-judicial killings seriously. Suspects need to be apprehended and tried. We are encouraged by steps the Philippine government has taken to eliminate this problem, and we support the ongoing efforts to promote a culture of democratic security that protects everyone;

-- Philippine Defense Reform is transforming the Armed Forces of the Philippines into a more modern, capable force. We are proud to be partners in this program.

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